

Message Text

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64

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 L-01 H-01 PA-01 PRS-01 USIA-06 DRC-01 /071 W

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R 182041Z OCT 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 759

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY MONTEVIDEO

AMEMBASSY QUITO

AMCONSUL RIO DE JANEIRO

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E.O. 11652: N/A

TAGS: EINV, EFIN, CI

SUBJECT: GOC TO SELL BANKING INTERESTS TAKEN OVER UNDER ALLENDE

1. AT OCTOBER 17 PRESS CONFERENCE, MIN FIN CAUAS
ANNOUNCED THAT GOC WILL SELL BANKING INTERESTS TAKEN
OVER DURING THE ALLENDE REIME. BEGINNING DATE OF SALES
LEFT UNSPECIFIED. CAUAS WENT ON TO SAY THAT THESE
BANKING SHARES WOULD BE DISPOSED OF IN STOCK MARKET
OVER EXTENDED PERIOD; CONCENTRATION OF OWNERSHIP
WOULD BE AVOIDED BY LIMITING INDIVIDUALS TO ONE AND
ONE-HALF PERCENT OF THE SHARES (PRESUMABLY MEANING IN
ANY SINGLE BANK) AND INCORPORATED ENTITLED TO 3 PERCENT.
THESE LIMITS APPLY TO CHILEANS AND FOREIGNERS. GOC,
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WHICH PRESENTLY HOLDS 90 PER CENT BY VALUE OF

ALL CHILEAN COMMERCIAL BANKING SHARES, WILL RETAIN OWNERSHIP OF BANCO DEL ESTADO WHICH REPRESENTS MORE THAN 50 PER CENT COMMERCIAL BANK ASSETS.

2. CONCERNING FOREIGN BANKING ACTIVITIES IN CHILE, CAUAS COMMENTED THAT PRESENT PROHIBITION ON OPENING NEW FOREIGN BANKING OPERATIONS HERE WOULD BE LIFTED IN SEPARATE DECREE SPECIFYING TERMS UNDER WHICH FOREIGN BANKING INTERESTS WOULD BE PERMITTED ENTRY. THIS TYPE OF INVESTMENT, HE SAID, WOULD BE TREATED EXACTLY AS ANY OTHER FOREIGN INVESTMENT -- THAT IS, IN ACCORDANCE WITH FOREIGN INVESTMENT LAW. IN THIS CONNECTION CAUAS NOTED THAT FOREIGN BANKS ARE OPERATING IN ALL OTHER COUNTRIES OF THE ANDEAN GROUP.

3. COMMENT: ALL FOREIGN BANKS EXCEPT BANCO DO BRASIL WERE BOUGHT OUT UNDER ALLENDE AND MERGED WITH EXISTING CHILEAN INSTITUTIONS.

4. GIVEN THINNESS OF CHILEAN STOCK MARKET AND RESTRICTIONS ON CONCENTRATION OF OWNERSHIP (ALTHOUGH LATTER CAN PROBABLY BE GOTTEN AROUND TO SOME EXTENT BY DISPERSION WITHIN FAMILY, ETC.), GOC DIVERSIFICATION PROCESS LIKELY TO TAKE QUITE SOME TIME. REGARDING FOREIGN BANKING, OUR IMPRESSION IS THAT GOC IS MOVING CAUTIOUSLY AND IS NOT INCLINED TO ALLOW ADDITIONAL FOREIGN BANKS TO ENGAGE IN FULL RANGE OF COMMERCIAL BANKING ACTIVITIES.
POPPER

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